



**Affordable and Special Needs Housing
Program Guidelines
2013-14**

Purpose

The Affordable Housing and Special Needs (ASNH) Program's goals are to create and preserve affordable housing units within the Commonwealth of Virginia with an emphasis on non-entitlement areas. The program achieves these goals by providing assistance in the form of financing to projects that will meet local affordable housing needs and support state housing policy.

This document is intended to provide guidance only. For more detailed information and for questions outside the scope of the guidelines please contact DHCD:

DHCD Affordable and Special Needs Housing Program Staff			
Kevin Hobbs	Program Administrator	kevin.hobbs@dhcd.virginia.gov	(804) 371-7120
Nancy Palmer	Program Manager	nancy.palmer@dhcd.virginia.gov	(804) 371-7102

Background

This program is funded through the federal *HOME Investment Partnerships Program* (HOME). This federal funding was created through the National Affordable Housing Act of 1990. Funds from the HOME program are made available annually through formula allocations to states and local governments (***Participating Jurisdictions*** or PJs).

PJs are responsible for conducting needs assessments and establishing priorities and goals, and developing and managing the programs that will help meet these goals. The Affordable and Special Needs Housing Program is one of the Commonwealth's HOME programs.

Through the ASNH Program, DHCD fills gaps in financing to make possible the creation and preservation of affordable housing for low income Virginians and low income Virginians with special needs. While these programs are statewide the program gives priority to projects located in areas not receiving a direct federal HOME allocation through a local PJ or HOME Consortium.

Through a competitive quarterly funding process housing developers, non-profits, and state-certified Community Housing Development Organizations (CHDOs) submit project applications or proposals. Project proposals are evaluated through a competitive process to determine which best meet critical affordable housing needs within the Commonwealth. Funding offers are made to the highest scoring proposals.

While the ASNH program is open to all eligible applicants, state-certified CHDO status will be given preference for ASNH funding and only state-certified CHDOs may receive funding for homebuyer development projects. CHDOs may also be eligible for predevelopment loans and operating assistance. For more information on CHDO certification and requirements please see [Guidelines for CHDO Certification and Manual](#).

Application Process

Approximately 5.4 million dollars in HOME funds will be made available during the 2013 – 2014 program year to assist affordable housing projects selected through the ASNH program application process. Approximately a quarter or about \$1.35 million will be committed every quarter. Any funding not committed during the quarterly competitive application process is carried forward into the subsequent quarter.

Developers may submit project applications to DHCD for consideration on or before the established quarterly deadlines. All applications received by the deadline will be reviewed against established criteria to identify those projects best positioned to meet priority housing needs within Virginia. Applicants have the opportunity to receive a debriefing on unsuccessful applications and resubmit in a subsequent quarter.

All applications for funding must be submitted to DHCD through the online application and project management system called [CAMS](#) (Centralized Application and Management System). Please allow for up to two business days for responses to any CAMS help desk request. Applications must be submitted in CAMS by 11:59 PM by the quarterly deadline as follows:

- September 30, 2013
- December 31, 2013
- March 31, 2014
- June 30, 2014

Please note that DHCD technical assistance is limited to normal business hours.

Applications must meet minimum requirements including scoring at least 60 points in order to be considered for funding. Scoring criteria are as follows:

- Meeting local housing needs (40 percent);
- Project feasibility (30 percent); and
- Development team's capacity (30 percent) to successfully complete the proposed project.

Beginning activities, prior to receiving approval from DHCD will jeopardize the ASNH conditional offer.

An environmental review is required before DHCD can execute any HOME Program agreement. It is essential that developers **not proceed** with any project activity (e.g., acquisition, rehabilitation, demolition, construction, etc.) prior to the execution of the HOME program agreement lest the project be rendered ineligible for HOME funding. Applicants must allow sufficient time to complete and forward all required environmental documentation to DHCD.

Project applications selected through the ASNH quarterly application process will receive a conditional offer for ASNH funding. The offer expires six months from the date of the offer letter. Applicants with offers must finalize and execute a HOME program agreement including meeting federal requirements prior to the expiration of the offer. The HOME program agreements expire two years from the execution date of the agreement. A program agreement must be in effect in order to receive a loan commitment. Loan commitments expire after 12 months. A six-month extension to the HOME program agreement may be granted by DHCD in specific circumstances. Written request for extensions must be received by DHCD prior to expiration of the agreement.

Additional information on the ASNH application process can be found in the [Application Instructions](#) and at the [How to Apply Workshop](#).

Eligible Virginia Localities

DHCD operates the ASNH program as a statewide program, thus projects located in any Virginia locality are allowable.

DHCD gives scoring preferences to projects in localities that do not receive direct HOME allocations. These are localities that are not HUD participating jurisdictions (PJs) or members of HOME consortiums.

There is a **local match requirement** for all projects located in areas receiving a HOME allocation directly from the federal government. These localities are HOME entitlement areas or member jurisdictions of a HOME consortium. Projects proposed in these areas must have a local match for at least 25 percent of the total HOME Affordable Housing and Special Needs Housing Program loan request. Local match can include CDBG, HOME or other federal, state, or private funds that are administered on a local level. This match can also be met based on the waiver of locally collected fees directly associated with the specific development (e.g., water and sewer connection fees). Documentation of local match must be included in the application.

HOME Entitlements and Consortiums – 25 percent Match Required	
Winchester Consortium – including:	Alexandria
Winchester	Chesapeake
Fredrick County	Danville
Page County	Hampton
Clarke County	Lynchburg
Warren County	Newport News
Shenandoah County	Norfolk
Charlottesville Consortium - including	Portsmouth
Charlottesville	Richmond
Albemarle County	Roanoke City
Fluvanna County	Virginia Beach
Greene County	Arlington County
Louisa County	Chesterfield County
Nelson County	Fairfax County -including
New River Consortium– including	Fairfax City
Radford	Falls Church
Giles County	Henrico County
Montgomery County	Prince William County –including
Pulaski County	Manassas

Blacksburg	Manassas Park
Christiansburg	Bristol City (member of Tennessee consortium)
Suffolk Consortium –including	
Suffolk	
Isle of Wight	
Franklin City	
Southampton	

Eligible Applicants

Eligible applicants are non-profit organizations or for-profit housing developers, state-certified Community Housing Development Organizations (CHDOs), and public housing authorities seeking to develop affordable housing projects in Virginia.

Only CHDOs are eligible applicants for any homebuyer development proposals.

The applicant (CAMS organizational profile) must be the owner, developer, or sponsor of the proposed project:

- Owner – holds valid legal title to, or long term leasehold interest in the property
- Developer – owns the property and is developing the project, or has a contractual obligation to develop the project
- Sponsor –is the owner or partial owner and agrees to convey ownership to a second non-profit at a predetermined time prior to or during development or upon completion (requires consultation with DHCD prior to application)

Applicants, the organization that submits the ASNH application, must have a registered CAMS profile in order to apply. Please note, that the applications must be submitted by the primary partner in the project not the project Limited Liability Corporation (L.L.C.). The applicant is the entity responsible for long-term operations and compliance. Applications will not be accepted from the project legal entity or limited liability corporation. Please contact DHCD if you have any questions.

DHCD will not enter into program agreements with any applicant with outstanding audit findings, IRS findings, DHCD monitoring findings or other compliance issues. Please note that DHCD will work with all interested parties toward the resolution of unresolved matters, where appropriate.

DHCD must verify project partner capacity and roles when evaluating applications and project feasibility. Applicants must be able to clearly articulate the relationship between all partners involved in the development, ownership, and property management of a project.

Type of Assistance

Assistance received through the ASNH program is gap financing - after all other financial commitments are received HOME funds are leveraged to close a financing gap in the affordable housing project. The amount of HOME funds committed must be the minimum amount needed.

All rental project applications must assume permanent financing structured as a three percent interest-only deferred payment loan over the full affordability period of time (15 or 20 years).

Homebuyer projects (limited to state-certified CHDOs) are typically structured as construction financing. Construction draws are based on specific project completion milestones. Proceeds from the sale of the units are retained by the CHDO. CHDO proceeds are limited to HOME eligible activities to include affordable housing development and CHDO operating expenses.

Per project funding limits are as follows:

ASNH: Project Limits				
<i>Project Type*</i>	<i>Developer Costs</i>	<i>DHCD Incurred Project Costs</i>	<i>Total ASNH Assistance</i>	<i>Total ASNH Loan</i>
Non-Special Need	\$650,000	\$50,000	\$700,000	\$650,000
Special Needs	\$750,000	\$50,000	\$800,000	\$750,000

**See the Eligible Projects section for more details.*

DHCD incurred costs are paid by DHCD on behalf of the project. These costs include only actual applicable project costs as follows:

DHCD Incurred Project Costs	
<i>Project Costs</i>	<i>Amount</i>
Environment Review Notices	\$250 - \$500
Construction Inspections (\$120 x 5)	\$600
Legal Services (closing services)	\$6,614
Loan servicing (based on the loan term)	\$10,965 - \$14,620

DHCD incurred costs are structured as a grant. This grant amount is included in the total amount of project assistance. The total ASHN project assistance is reflected in the restrictive deed, the program agreement, underwriting, and subsidy layering analysis.

Program requirements including the number of required HOME units are based on total amount of HOME assistance (including total ASHN assistance and HOME from other sources) as compared to the total development costs. Please note that for this purpose development costs are limited to HOME eligible costs and must exclude non-HOME eligible costs such as community buildings, market rate units, and retail space.

Please note that match requirements, if applicable, apply to the developer cost (total ASNH loan amount) only.

Affordability Period

Any time funds are committed to a project it results in a mandatory **affordability period** on the property. This is the period of time that the unit or units must be maintained as affordable according to the agreement between the developer and DHCD. This affordability period is enforced through a restrictive covenant deed on the property. The affordability period is based on the type of project and the total amount of HOME assistance including both developer subsidies and homeownership assistance from all HOME sources including both state HOME funds and local PJ or Consortium HOME funds. The required type and number of HOME units will be determined by DHCD during underwriting.

Affordability Requirements	
Assistance per Unit	Length of Affordability/Compliance Period
Homebuyer less than \$15,000	5 years
Homebuyer \$15,000 to \$40,000	10 years
Homebuyer more than \$40,000	15 years
Rental Rehabilitation	15 years
Rental New Construction	20 years

Long-Term Compliance (Rental Projects)

Projects will be inspected for property standards and HOME program compliance within 12 months of project completion. Projects will be inspected thereafter no less than every three years. All rental projects must submit annual rent and occupancy reports and project financials. Onsite inspections and monitoring frequencies are based on performance and risk assessments.

Rental projects must meet HOME program rent, occupancy, and property standards and other applicable federal requirements for the duration of the affordability period in accordance with the HOME program agreement. Additional HOME program investments cannot occur during this time period. Projects unable to meet these requirements or projects at-risk of non-compliance may be required to submit to more frequent monitoring, to change property management, and/or transfer ownership.

Long-Term Compliance (Homebuyer Projects)

Resale Requirement: (Homebuyer Developer Subsidy Only)

Homebuyer HOME-assisted units structured as only developer subsidy are subject to a resale provision. In these cases a resale provision applies where units must be resold to an income eligible homebuyer if within the applicable affordability period. The developer (limited to State CHDOs) must monitor sales, foreclosures, and transfers titles to assure affordability requirements. The CHDO must ensure that resale requirements are imposed if the housing does not continue to be the principal residence of the occupant or family for the duration of the period of affordability, and must also ensure that the housing is only made available for subsequent purchase to a buyer whose family household qualifies as a low-income family and will use the property as its principal residence. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment

(including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of qualified low-income homebuyers. The period of affordability is based on the total amount of HOME funds invested in the housing.

A "*fair return on investment*" is determined by the resale price that takes into account a return of the initial homebuyer's initial investment plus any capital improvements made to the housing unit, which are typically set or limited based on changes in area median sales price. These factors typically establish the fair market value for the city or county that the property is located. The intent is to provide a fair return to the seller while limiting price based solely on the Median Sales Price to a potential buyer. To determine a "*a fair return on investment*", the ASNH Program will measure the percentage change in median sales prices over the period of ownership as a reasonable index that is directly related to real estate prices in the area which will simplify the resale approach by taking both market appreciation and depreciation into account. It is important to note that in certain circumstances, such as a declining housing market where home values are depreciating, the original homebuyer may not receive a return on his or her investment because the home sold for less or the same price as the original purchase price. DHCD's intent is to set a resale price that provides a fair return to the original homebuyer while ensuring that the property is affordable to the targeting population, thus reducing the need for additional subsidies to eligible buyers.

A *capital improvement* is any addition or alteration to real property that meets the following conditions:

- It substantially adds to the value of the real property, or appreciably prolongs the useful life of the real property; and
- It becomes part of the real property or is permanently affixed to the real property so that removal would cause material damage to the property or article itself.

The value of any capital improvement will be determined by the national average increase in value that a specific type of improvement brings at sale. For example, if homeowner's downpayment = \$5000, value of capital improvements = \$9000 and the percentage change of median sales price over ownership period = 3.5%, then, fair return on investment = $(\$5000 + \$9000) \times 3.5\% = \$490$. In this example, the total return to original homebuyer at sale = \$14,490 $(\$5000 + \$9000 + \$490)$.

A "*reasonable range of low-income buyers*" is defined in the ASNH Program as a household or family at or below 80 percent of Area Median Income paying no more than 30 percent of income for principal, interest, property taxes, and insurance.

DHCD will use deed restrictions, covenants running with the land, or other similar mechanisms as the mechanism to impose the resale **and continued affordability** requirements as outlined in §92.254(a)(5)(i)(A) of the HOME Rule. The developer (State CHDO) may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before any conveyance to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, obtains an ownership interest in the housing.

Recapture Provision: Direct Buyer Assistance

ASNH Homebuyer HOME-assisted units including DHCD HOME Down Payment Assistance (DPA) direct buyer assistance are subject to a recapture provision in order to assure that the units either remain affordable (i.e., housing eligible clients) or that DHCD recovers its investment based on the terms of the agreement. Recapture applies and the amount to be recaptured is limited to the amount of direct buyer assistance (not the developer subsidy).

Virginia will use the recapture provision at §92.254(a)(5)(ii)1)- to recapture the entire amount. The total original amount of the direct buyer assistance is recaptured from the net proceeds in the case of sale, refinance (see exception below), foreclosure or failure to maintain as primary residency prior to the end of the affordability period. In these cases the required amount returned (total assistance amount from net proceeds) is due and payable in full to DHCD to the Treasurer of Virginia. The HOME assistance may not be subordinated to refinancing of the first lien position primary mortgage or an equity loan or line of credit during the period of affordability except under special hardship conditions at DHCD's discretion. Affordability requirements are secured by a Restricted Deed of Covenant in the amount of direct assistance. The HOME loan is forgiven in full at the end of the affordability period.

Developer Requirements

Federal regulations require DHCD to certify developer capacity (including CHDOs) prior to the commitment of HOME funds. Developer capacity requirements include:

- Experience developing similar projects
- Staff with development experience (excludes consultants, contractors or partners)
- Current financial soundness

CHDOs must be certified by the state as meeting CHDO organizational and mission requirements. These include:

- Nonprofit status
- Primary mission provision of affordable housing
- Board composition meets HUD requirements
- Independence in decision making authority
- Community based organization

CHDOs must also meet financial management and capacity requirements. These include:

- Conformance to accounting standards
- No individual benefit
- Demonstrated capacity to develop affordable housing

CHDO requirements must be met at the time of fund commitment, for the duration of the development phase, and through the long-term compliance period for CHDO's in the role of project/property owner. Please see [CHDO Survival Kit](#) and [CHDO Capacity Self-Assessment Tool](#) for more details.

Eligible Projects

Eligible projects produce or preserve affordable housing units for low income homeowners or low income renters. Projects must include a minimum of five units and must be under common ownership, management, and financing. The minimum total investment (total development costs) per unit is at least \$15,000 or includes replacement of at least three out

of five major systems (e.g., HVAC, plumbing, roofing, electrical) but is no more than the actual costs or the **221 (d)(3) limit**. Selected projects will always be assisted with the minimum amount of HOME assistance needed.

When HOME funds are invested in a project the total HOME assistance is limited to the 221 (d) (3) HOME maximum per unit subsidy limits:

Bedrooms	Limits
0	\$132,814
1	\$152,251
2	\$185,136
3	\$239,506
4+	\$262,903

A project must be either a rental project or a homebuyer project (not both). In either case these projects must have units that target income eligible households. Homebuyer projects require at least five units targeting 80 percent or below AMI. Rental projects require at least five units that will target 60 percent or below AMI (at least 20 percent of HOME-assisted units must target 50 percent or below). Please note that project applications designed to provide a greater proportion of lower income targeting will be given scoring preference on the *need* criteria. The actual number of HOME units and income mix will be determined by DHCD during underwriting.

Projects must meet local market needs based on vacancy rates for similar projects in the area and gaps in affordable housing. DHCD must evaluate and certify that the project will meet local needs based on a market analysis.

Both new construction and substantial rehabilitation projects are eligible. Development activity beyond the original footprint will be considered new construction. In either case, construction and property standards (DHCD's [Minimum Design, Construction, and Rehab Requirements](#)) must be met to assure that no further investment is required for the 15 year (rehabilitation) or 20 year (new construction) affordability period.

The ASNH assistance may not be used for acquisition-only projects, public housing or public facilities including emergency shelter, hospitals, nursing homes, or intermediate care or assisted living facilities. In addition assistance is prohibited in any project with any prior HOME assistance from any source where the project is in the HOME affordability period.

Eligible property types include multi-unit structures, single family, two- to-four unit structures, and manufactured homes. Regardless of type the units must be considered modest relative to the neighborhood.

All assisted projects should be located where possible in areas that decrease the overall concentration of poverty. For new construction project *Site and Neighborhood Standards* apply. This means that new construction projects must:

- Be located on adequate and accessible sites
- Further compliance with fair housing laws

- Promote greater choice of housing opportunities and avoid undue concentration of assisted persons
- Be in neighborhood that is not detrimental to family life
- Be in location with comparable access to services and facilities
- Be in location where travel/access to jobs is not excessive (not applicable to elderly housing)

Development costs are limited to HOME eligible costs and must exclude non-HOME eligible costs such as community buildings, market rate units, and retail space. Mixed income and multiple-use projects are eligible; however these projects must contain HOME units that will meet income and rent or sales value requirements. Please note that program requirements including the number of required HOME units are based on total amount of HOME assistance (including HOME from other resources) as compared to the total development costs.

Scattered site projects are allowable, but all projects must be under common ownership, management, and financing.

Projects may also include units structured as Single Room Occupancy (SRO) units. These are single-room dwellings that are the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities. If the unit does not contain food preparation or sanitary facilities, then the building must contain and provide access to these.

Projects may include one or more units of supportive housing, permanent supportive housing, housing targeting formerly homeless, formerly homeless or disabled veterans, disabled households, or elderly individuals. Please note that compliance with fair housing always applies, tenants must have a lease in their name, and participation in services may not be required. Also note that project applications are evaluated based, in part, on the need the project seeks to address.

Projects including special needs units will receive a scoring preference. In addition projects with at least 20 percent special needs unit (all at or below 60 percent area median income (AMI) may request ASNH assistance up to \$750,000 (\$650,000 maximum assistance for non-special needs). Please note that total investment and loan may include up to an additional \$30,000 in predevelopment assistance (limited to CHDOs and special need housing projects) and an additional \$50,000 in project costs paid by DHCD.

Projects including Green Building standards are encouraged. Score preference will be given to projects that will be Earthcraft or LEED certified. Projects with 100 out of 150 points on the *DHCD Green-Building and Energy Efficiency Credit List* for Rehab or New Construction will also receive preferential scoring.

The Fair Housing Act prohibits discrimination in the sale or rental of housing based race, color, religion, sex, national origin, handicap or familial status. This prohibition applies to all projects assisted with the ASNH program. Project that discriminate or are structured to discriminate are ineligible.

Lead Safe Housing policies apply to ASNH projects. Please note that some projects may be exempt. For all other projects appropriate measures must be taken to assure that:

- Rehabilitation or demolition activities meet lead safe requirements;
- Development costs include associated costs;
- Homebuyers or tenants will receive notification (if applicable);
- Operating costs include ongoing associated maintenance costs for rental projects; and
- Records are maintained to document all measures taking.

[Environmental](#) measures apply to ASNH projects. Please note that some projects may be exempt. All other projects will require an environmental assessment. This must be completed, reviewed, and approved by DHCD. The process requires public notifications and a HUD release funding request. No development activity including the acquisition of the property can occur prior to the release of funds. Any project where development activity has occurred prior to the release of funds is ineligible.

The [Uniform Relocation Act](#) (URA) applies to all projects where development activity will result in the permanent or temporary dislocation of households, businesses, farms and nonprofit organizations. When permanent or temporary dislocation is possible, a notice of the intent and a survey of the occupants must be conducted prior to the ASNH application. The application must include a completed URA supplemental form and documentation of the notice and survey results. Development costs must reflect any associated costs that the project anticipates.

[Section 3](#) requirements apply to all ASNH-assisted projects. These requirements mean that development generated opportunities must be designed to benefit to the greatest degree possible low and very low income persons in the project services area and the business that employ them. Developer hiring, contracting, and subcontracting must be structured to maximize this benefit. Project owner/developers are required to adopt specific goals, and comply with required notifications, documentation, and reporting.

[Labor Standards](#) apply to all projects. All projects must assure that workers receive “overtime” compensation at a rate of 1.5 times their basic rate of pay for all hours worked in excess of 40 hours a work week. This applies to all project associated construction contracts funding in whole or in part with HOME (ASNH) funds. All projects with 12 or more units (determined in underwriting by DHCD) must meet Davis-Bacon Act and the Copeland “Anti-Kickback” Act requirements. Please note that the number of units required is based, in part, of the proportion of HOME funds to the total development costs. In these cases, Davis-Bacon prevailing wages must be paid to workers at least weekly without any deductions or rebates except permissible deductions. Reporting requirements include the payroll submissions.

Eligible Costs

Regardless of the form that ASNH assistance takes (permanent financing for rental projects or construction draws for homebuyer projects) all development costs must be allowable:

Specifically the following costs are allowable:

- *Demolition costs* are eligible costs, however construction must begin within 12 months
- Construction, labor, and materials

- Project development related costs (e.g., financing fees, legal fees, affirmative action marketing)
- Up to 18 months rental project operating deficit reserve
- Relocation (can pay for relocation costs for any household in HOME project as a part of the overall project development costs)

The following are ineligible costs:

- HOME investments not resulting in HOME eligible units
- Project reserves other than the rental operating (listed above)
- Operating reserves (rental) are limited to 18 months - operating reserves beyond 18 months are ineligible
- This assistance cannot be used for the development, operation, or modernization of any public housing
- Project-based rental assistance is a prohibited expense
- Delinquent taxes, fees, charges cannot be paid with HOME funding
- Items not allowed under A-87, A-110, and A-122 or not deemed cost reasonable (see the *Resources and References* section for more details)

Income Eligibility

The number of HOME-assisted units in a project will be determined during underwriting. These units will be limited to income eligible households based on Area Median Incomes (AMI). Income calculations must be based on HUD's Section 8 income eligibility standard. Projects must be able to provide a set number of HOME-assisted units.

All HOME-assisted homebuyer units must be at or below 80 percent AMI at the time that program eligibility is determined. Eligibility determination expires after six months. If closing does not occur during the six month timeframe, then income eligibility must be re-established.

All HOME-assisted rental units must be at or below 60 percent AMI at initial occupancy. The number of units and/or specific units will be determined during underwriting. At least 20 percent of these units will be limited to 50 percent or below AMI.

Rental Projects

Project development teams must attend a pre-construction conference within the first quarter of receiving a conditional offer. A program agreement and the commitment of funds must be executed within six months of the date of the conditional funding offer. This means that underwriting has been completed and all funding contingencies are resolved including the environmental review and release of funds. Please note, once the program agreement is executed any cost changes and/or changes in financing must be communicated in writing to and approved by DHCD. Changes will be reviewed and adjustments made to the underwriting analysis and program agreement as applicable.

While final cost certification and completion reports are required at closing, progress reports are required quarterly on each project during the development phase. Regular construction inspections will be conducted to verify progress.

Affordability periods begin once HOME completion reports (including lease up data) are submitted and approved by DHCD. Lease up documentation as well as all inspection

documents must be submitted to DHCD in order to close the development phase of the project, to assure eligibility of the developer for funding of future projects, and to begin the affordability period. Non-compliance could suspend eligibility for additional HOME funds and could result in the repayment of all HOME funds to DHCD.

The actual amount of assistance in any project must be the minimum amount needed to produce or preserve an affordable housing unit. All assisted rental projects have 15 – 20 year affordability periods based on the type of development (15 years for rehabilitation and 20 years for new construction).

Based on the HOME investment the project will require a set number of HOME-assisted units. This is based on the proportion of total HOME funds in the project compared to the total development costs. Total development costs must exclude non-HOME eligible costs.

HOME-assisted units have income and rent restrictions. HOME-assisted units are limited to 50 or 60 percent AMI at initial occupancy. Rents for the units are restricted to the Low or High HOME rents for the area. Rents cannot exceed the HOME rents, with the exception of project-based rental assistance. Please see the [Compliance in HOME Rental Projects: Guide for Property Owners](#) and [HOME Rental Compliance Training](#) for more detail on income and rent requirements. Rent increases over those proposed in the project application must be approved by DHCD. Please note, initial and annual certification of income is required.

During the affordability period each project will be required to submit annual rent and occupancy reports and project financials. DHCD will verify through onsite monitoring compliance with rent, occupancy, property standards, and other programmatic requirements.

[Section 504](#) applies to all ASNH assisted rental projects. Eligible new construction rental projects must be designed and constructed to be readily accessible to and usable by persons with disabilities. The common areas in the building must be made accessible, as well as a certain number of units:

- A minimum of five percent of the units in the project (but not less than one) must be accessible to individuals with mobility impairments.
- An additional two percent of the units (but not less than one) must be accessible to individuals with sensory impairments

The Section 504 (above) requirements also apply to rental rehabilitation with 15 or more units. Projects not meeting these design requirements are not eligible.

Homebuyer Projects

Homebuyer projects produce affordable units for income eligible first-time homebuyers within Virginia. These projects are limited to Virginia certified CHDOs.

Once an offer is made the project development team must attend a pre-construction conference within the first quarter of receiving a conditional offer. A program agreement and the commitment of funds must be executed within six months of the date of the conditional funding offer. This means that underwriting has been completed and all funding contingencies are resolved including the environmental review and release of funds. Please

note, once the program agreement is executed any cost changes and/or changes in financing must be communicated in writing to and approved by DHCD. Changes will be reviewed and adjustments made to the underwriting analysis and program agreement as applicable.

The project is complete when the last HOME unit has closed and lien documentation and completion reports have been submitted and approved by DHCD. Please note that the length of each individual unit affordability period is based on the total amount of HOME assistance in the particular unit and that the affordability period begins once closing and sale completion documentation has been submitted and approved by DHCD. Please see the Homebuyer recapture and resale section for more details. Non-compliance could suspend eligibility for additional HOME funds and could result in the repayment of all HOME funds to DHCD.

While final cost certification and completion reports are required at the end of the development phase and prior to the last draw, progress reports are required quarterly on each project during the development phase. Regular construction inspections will be conducted to verify progress.

The actual amount of HOME assistance must be the minimum amount needed. Based on the HOME investment the project will require a set number of HOME-assisted units. This is based on the proportion of total HOME funds in the project compared to the total development costs. Total development costs must exclude non-HOME eligible cost.

HOME-assisted units have income and value restrictions. HOME-assisted units are limited to 80 percent AMI households who will be using the property as their primary residence.

Homebuyer project can be structured as lease-purchase projects. These projects must be identified as lease-purchase in the application. Lease-purchase projects must convert to a tenant purchased unit (homebuyer unit) within three years. Units failing to meet this requirement will convert to rental unit for the duration of the affordability period. Please see the [Compliance in HOME Rental Projects: Guide for Property Owners](#) and [HOME Rental Compliance Training](#) for unit requirements. Developers considering this option are encouraged to consult with DHCD prior to application submission.

Homebuyer units will automatically convert to HOME rental units if there is no ratified sales contract at nine months after the completion of construction (date of the Certificate of Occupancy). HUD allows no exception to this requirement. This requires that all homebuyer projects have strong sales plans in place. There must be a pipeline of homebuyers and a demonstrated history in successfully completing homebuyer projects.

Housing must be modest (based on property sales price or value). No luxury homes or amenities (based on neighborhood standards) are allowed for assisted units. The sales price can NOT exceed 95 percent of median area purchase price (use HUD 203 (b) limits or local market survey).